

## **BEFORE THE DIVISION OF INSURANCE**

### **STATE OF COLORADO**

---

#### **FINAL AGENCY ORDER O-06-196**

---

#### **IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF FARMERS GROUP OF COMPANIES; FARMERS INSURANCE EXCHANGE, TRUCK INSURANCE EXCHANGE AND MID-CENTURY INSURANCE COMPANY**

##### **Respondents**

---

**THIS MATTER** comes before the Colorado Commissioner of Insurance (the "Commissioner") as a result of a market conduct examination conducted by the Colorado Division of Insurance (the "Division") that included three companies within the Farmers Group of Companies (Farmers Insurance Exchange, Truck Insurance Exchange, and Mid-Century Insurance Company) (the "Respondents"), pursuant to §§ 10-1-201 to 207, C.R.S. The Commissioner has considered and reviewed the market conduct examination report dated April 11, 2006 (the "Report"), relevant examiner work papers, all written submissions and rebuttals, and the recommendations of staff. The Commissioner finds and orders as follows:

##### **FINDINGS OF FACT**

1. At all relevant times, the Respondents were corporations licensed by the Division to conduct all lines of property and casualty insurance.
2. In accordance with §§ 10-1-201 to 207, C.R.S., on April 11, 2006, the Division completed a market conduct examination of the Respondents. The period of examination was January 1, 2003 to September 30, 2004.
3. In scheduling the market conduct examination and in determining its nature and scope, the Commissioner considered such matters as complaint analyses, underwriting and claims practices, pricing, product solicitation, policy form compliance, market share analyses, and other criteria as set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners, as required by § 10-1-203(1), C.R.S.
4. In conducting the examination, the examiners observed those guidelines and procedures set forth in the most recent available edition of the examiners' handbook adopted by the National Association of Insurance Commissioners and the Colorado insurance examiners handbook. The Commissioner also employed other guidelines and procedures that he deemed appropriate, pursuant to § 10-1-

204(1), C.R.S.

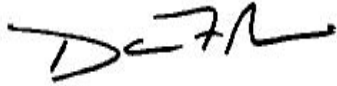
5. The market conduct examiners prepared the Report. The Report is comprised of only the facts appearing upon the books, records, or other documents of the Respondents, its agents or other persons examined, or as ascertained from the testimony of the Respondents' officers or agents or other persons examined concerning Respondents' affairs. The Report contains the conclusions and recommendations that the examiners find reasonably warranted based upon the facts.
6. Respondents delivered to the Division written submissions and rebuttals to the Report.
7. The Commissioner has fully considered and reviewed the Report, any and all of Respondents' submissions and rebuttals, and all relevant portions of the examiner's work papers.

#### **CONCLUSIONS OF LAW AND ORDER**

8. Unless expressly modified in this Final Agency Order (the "Order"), the Commissioner adopts the facts, conclusions and recommendations contained in the Report. A copy of the Report is attached to the Order and is incorporated by reference.
9. Issue A concerns the following violation: Failure, in some cases, to maintain records required for market conduct purposes. The Respondents shall provide evidence that they have reviewed its procedures for maintaining complete record documentation and implemented necessary procedural changes to ensure compliance with Colorado insurance law.
10. Issue B concerns the following violation: Failure to provide accurate information to insureds, claimants, and/or lienholders regarding the disposition of vehicles that were declared a "total loss". The Respondents shall review all communications and revise as needed to provide accurate information to insureds, claimants, and/or lienholders regarding the disposition of vehicles declared a total loss to ensure that communications are not untrue, deceptive or misleading, and are in compliance with Colorado insurance law.
11. Issue C concerns the following violation: Failure, in some cases, to provide accurate damage information on applications for salvage titles submitted in connection with total loss claims. The Respondents shall provide evidence that they have reviewed their procedures for reporting damage information on applications for salvage titles to ensure that it provides complete and accurate damage disclosure information on all vehicles declared a total loss in compliance with Colorado insurance law.

12. Issue D concerns the following violation: Failure, in some cases, to provide disclosure of damage on total loss vehicles by applying for out-of-state (Pennsylvania) salvage titles. The Respondents shall provide evidence that they have discontinued the practice of failing to disclose damage on total loss vehicles by applying for salvage titles in a state other than Colorado to ensure compliance with Colorado insurance law. The Division's records indicate that the Respondents have complied with the corrective actions ordered concerning this violation.
13. Pursuant to § 10-1-205(3)(d), C.R.S., Respondents shall pay a civil penalty to the Division in the amount of forty-nine thousand five hundred and 00/100 dollars (\$49,500.00) for the cited violations of Colorado law. This fine was calculated in accordance with Division guidelines for assessing penalties and fines, including Division bulletin no. 1-98, issued on January 1, 1998.
14. Pursuant to § 10-1-205(4)(a), C.R.S., within sixty (60) days of the date of this Order, the Respondents shall file affidavits with the Division executed by each of their company directors stating under oath that they have received a copy of the adopted report and related orders.
15. Unless otherwise specified in this Order, all requirements with this Order shall be completed within thirty (30) days of the date of this Order. Respondents shall submit written evidence of compliance with all requirements to the Division within the thirty (30) day time frame, except where Respondents have already complied, as specifically noted in the Order. Copies of any rate and form filings shall be provided to the rate and forms section with evidence of the filings sent to the market conduct section. All self audits, if any, shall be performed in accordance with the Division's document, 'Guidelines for Self Audits Performed by Companies' presented at the market conduct examination exit meeting. Unless otherwise specified in this Order, all self-audit reports must be received within ninety (90) days of the Order, including a summary of the findings and all monetary payments to covered persons.
16. This Order shall not prevent the Division from commencing future agency action relating to conduct of the Respondents not specifically addressed in the Report, not resolved according to the terms and conditions in this Order, or occurring before or after the examination period. Failure by the Respondents to comply with the terms of this Order may result in additional actions, penalties and sanctions as provided for by law.
17. Copies of the examination report, the Respondents' response, and this final Order will be made available to the public no earlier than thirty (30) days after the date of this Order, subject to the requirements of § 10-1-205, C.R.S.

**WHEREFORE:** It is hereby ordered that the findings and conclusions contained in the Report dated April 11, 2006, are hereby adopted and filed and made an official record of this office, and the above Order is hereby approved this 29<sup>th</sup> day of June, 2006.

A handwritten signature in black ink, appearing to read 'D-F-R', with a horizontal line extending from the end of the signature.

---

David F. Rivera  
Commissioner of Insurance

CERTIFICATE OF CERTIFIED MAILING

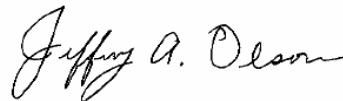
I hereby certify that on the 29<sup>th</sup> day of June, 2006, I caused to be deposited the **FINAL AGENCY ORDER No. O-06-196 IN THE MATTER OF THE MARKET CONDUCT EXAMINATION OF THE FARMERS GROUP OF COMPANIES; FARMERS INSURANCE EXCHANGE, TRUCK INSURANCE EXCHANGE AND MID-CENTURY INSURANCE COMPANY** in the United States mail via certified mailing with proper postage affixed and addressed to:

Mr. Martin D. Feinstein, President  
Farmers Insurance Exchange  
4680 Wilshire Blvd.  
Los Angeles, CA 90010

Mr. Leonard H. Gelfand, President  
Truck Insurance Exchange  
4680 Wilshire Blvd.  
Los Angeles, CA 90010

Mr. Stanley Ray Smith, President  
Mid-Century Insurance Company  
4680 Wilshire Blvd.  
Los Angeles, CA 90010

Ms. Angela Wedel,  
Regulatory Affairs  
Farmers Insurance Exchange  
Truck Insurance Exchange  
Mid-Century Insurance Company  
4680 Wilshire Blvd.  
Los Angeles, CA 80010



---

Jeffery A. Olson, CIE, FLMI, AIRC, ALHC  
Chief Examiner, Market Conduct Section  
Division of Insurance